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PP RUEHTRO  
DE RUEHAS #1772/01 3451009  
ZNR UUUUU ZZH  
P 111009Z DEC 07  
FM AMEMBASSY ALGIERS  
TO RUEHC/SECSTATE WASHDC PRIORITY 4977  
INFO RUEHFR/AMEMBASSY PARIS 2444  
RUEHMD/AMEMBASSY MADRID 8713  
RUEHLO/AMEMBASSY LONDON 1746  
RUEHRB/AMEMBASSY RABAT 2054  
RUEHTU/AMEMBASSY TUNIS 6912  
RUEHTRO/AMEMBASSY TRIPOLI  
RUEHNC/AMEMBASSY NOUAKCHOTT 6128  
RUEHNM/AMEMBASSY NIAMEY 1383  
RUEHBP/AMEMBASSY BAMAKO 0333  
RUEHCL/AMCONSUL CASABLANCA 3161  
RULSDMK/DEPT OF TRANSPORTATION WASHDC  
RHMFISS/HQ USEUCOM VAIHINGEN GE  
RUCPDOG/DEPT OF COMMERCE WASHDC

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STATE FOR EB/TRA - JBYERLY, JREIFMAN  
DEPT OF TRANSPORTATION FOR SEHATLEY

E.O. 12958: N/A

TAGS: [EAIR](#) [ETRD](#) [ECON](#) [AG](#)

SUBJECT: TRANSPORT OFFICIAL OPTIMISTIC ON OPEN SKIES,  
CIVAIR OUTLOOK FOR 2008

REF: ALGIERS 946

11. SUMMARY: Although the main impasse to an Open Skies agreement remains unchanged, the Algerian transport ministry is optimistic about progress in 2008. Meanwhile, despite American firm FSI losing a Boeing 737 flight simulator contract to Canadian firm CAE, Algeria seems committed to continue supplying state-run national carrier Air Algerie with mid-range Boeing aircraft and says it will need to "refresh" this aging segment of its fleet within the next few years. Air Algerie is struggling to develop a compensation package for its pilots that will prevent them being poached by carriers in the three largest areas of current global civil aviation growth: India, China and the Gulf. Finally, contrary to what we were told in June (reftel), direct flights to the U.S. are "not on the agenda" for Air Algerie. Instead, direct service between Algiers and Beijing is due to begin within the next few months. END SUMMARY.

OPEN SKIES - STILL 80 GRAMS AWAY  
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12. We met on December 5 with Messaoud Benchemam, Director of Civil Aviation at the Ministry of Transportation. Benchemam told us Algeria was "eager" to work out an Open Skies agreement, but that the sticking point remained protecting the monopoly of Algeria's state-controlled postal service on the delivery of domestic mail weighing less than 80 grams. Benchemam said the current limit was still 250 grams, but that Algeria had already committed to lowering the limit to 80 grams in early 2008. According to Benchemam, it was "a shame" that such a "fine point" prevented an agreement. He referred to a negotiated civil aviation agreement that Algeria had reached with France, which he said had involved some compromise on both sides and respected the concerns of the Algerian postal monopoly. Benchemam did concede that Algeria would be examining the issue further in 2008, as market realities made it "extremely difficult to believe" that couriers such as FedEx or UPS would have any interest in competing for interna  
l Algerian postal services with letters weighing less than 80 grams.

13. In response to our underscoring that Open Skies was an all-or-nothing free trade agreement, Benchemam did not insist on a U.S. compromise on the 80-gram weight limit. Rather, he stressed that Algeria had made significant progress in 2007 towards bringing its regulations in line with Open Skies and ICAO standards. As examples, he stated that Algeria has eliminated the distinction between residents and non-residents for the purchase of airline tickets in foreign currency, as well as the reduction or elimination of several tariffs. According to Benchemam, Algeria was still in the process of changing its regulations, and he told us that Algeria still considered Open Skies to be "a very active file." The process, Benchemam said, was slow and difficult due to the involvement of several ministries. While the Ministry of Transportation had a clear interest in Open Skies, the postal monopoly was of far greater concern for the Ministry of Communications, he pointed out. He said he hoped that in "early 2008" Algeria planned to examine the 80-gram obstacle and explore ways to overcome it so that an Open Skies agreement could be signed during the 2008 calendar year.

#### BOEING'S FUTURE IN ALGERIA APPEARS SECURE

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14. Regarding the recent Algerian decision to award a contract for Boeing 737 flight simulators to Canadian company CAE, Benchemam simply said they felt the CAE offer was the most attractive. He quickly went on to emphasize Air Algerie's reliance on Boeing aircraft for its mid-range fleet. Benchemam told us that Air Algerie's long-range aircraft consisted of three Airbus 330s and two Boeing 767s, of which the Boeings were "getting old" but would probably not be

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replaced as three long-range aircraft were probably enough for Air Algerie. In contrast, he said that the vast majority of Air Algerie's service relied on mid-range 100-150 seat aircraft, specifically the Boeing 737. Benchemam said the 737 simulator contract was a sign that Algeria was interested in keeping costs down by standardizing training, spare parts and maintenance, and that "within the next few years" Algeria would likely begin to replace its older 737s with newer versions.

#### A GLOBAL PILOT SHORTAGE

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15. Benchemam told us that the most immediate challenge for Air Algerie was to develop a new compensation package for its pilots to avoid losing them to China, India and the Gulf. He said this was a problem faced by airlines worldwide, as civil aviation was "exploding" in those three areas without enough pilots to fill the demand. As a result, Gulf, Indian and Chinese airlines were hunting for pilots in Africa, Latin America and parts of Asia. Countries like the UAE, he said, were offering pilots as much as ten times an Air Algerie salary plus housing and family relocation and education expenses. Benchemam said that Air Algerie had enough pilots to absorb a five percent annual attrition rate, but that over four or five years, this could become a serious problem.

#### NEXT STOP: BEIJING

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16. Benchemam said that the only major new area of civil aviation expansion currently on the Algerian agenda was with China. Negotiations were almost complete to begin direct service between Algiers and Beijing, due to what he called "the large number of Chinese laborers and contractors now working on civil engineering projects in Algeria." Contrary to what we reported in reftel, when the Algerian government had told us it was "interested" in exploring flights to New York, Benchemam said that Algeria was satisfied that Air Algerie's current direct service to Montreal provided sufficient access to North America for the time being and

that service to any U.S. destination "is not on the agenda."

OPTIMISM FOR 2008?

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17. Benchemam said he believed Algeria was getting closer to an Open Skies agreement with the U.S, and took great pains to point out the changes it had made in 2007. While indicating that the transport ministry's desire for Open Skies remained strong, he also lamented the slow pace of change in Algeria. Benchemam said the Algerian government would be ready to discuss a civil aviation agreement similar to the one it signed with France, outside the context of Open Skies, but he understood the all-or-nothing free trade backbone of Open Skies and believed the remaining hurdles would move up the Algerian agenda in 2008. He pledged to inform us as soon as the Ministry of Transportation discussed the 80-gram issue with the cabinet, and repeated at the end of our meeting that he considered the file "very much alive."  
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